

WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D.C.

ORDER NO. 3113

IN THE MATTER OF:

Served January 7, 1988

Application of THE AIRPORT)
CONNECTION, INC., to Amend Tariff)

Case No. AP-87-30

By application filed October 8, 1987, The Airport Connection, Inc. ("TAC"), seeks to increase its rates for scheduled service (special operations) between Washington Dulles International Airport and hotels in the Metropolitan District as well as its rates for charter coach service. The proposed tariff would increase existing rates by \$1 one-way and \$1-2 round-trip for scheduled, per-capita service, an increase ranging from 5.25 percent to 9 percent. Rates for charter coach service would increase from \$40 to \$48 an hour, with minimum of \$184. Applicant subsequently amended its proposal for charter coach rates to \$44 an hour, with a minimum of \$176. No increase was proposed in charter rates for smaller vehicles or for charter coach transfer rates to or from National or Dulles Airports.

By Order No. 3091, served November 5, 1987, the proposed tariff was suspended pursuant to the Compact, Title II, Article XII, Section 6. Applicant was asked to submit additional supporting materials. In addition, the Metropolitan Washington Airports Authority was invited to provide its comments on TAC's proposal.

Applicant's operating statement for the year ended June 30, 1987, shows a net loss of \$466,536 on operating income of \$6,613,586. As a result of this loss, TAC's balance sheet as of June 30, 1987, shows a negative \$52,235 stockholders' equity. Applicant projects operating income of \$7,165,965 for the first year of operations under the proposed tariff, reducing the annual net operating loss to \$164,976.

On November 20, 1987, the Metropolitan Washington Airports Authority ("MWAA") advised the Commission that, pursuant to the terms of its contract with TAC, it had commissioned an independent audit of the general finances and business practices of applicant. MWAA stated that the results of the audit would be available December 18, 1987, and asked the Commission to defer action on the tariff pending further MWAA comments based on the audit. The audit, according to MWAA, would focus on special operations, and MWAA "would have no objection to the granting of the requested fare increase for charter service."

On December 18, 1987, MWAA filed its further comments. Among the "preliminary conclusions of the audit" was the following:

"The business suffered a dramatic change in profitability from 1986 to 1987 as a result of significant increases in expenses, competition, and a less than anticipated increase in revenues. The increase in expenses is a result of several factors; the new limousine business, increased wages from unionization; and in general, a lack of control over costs."

The overall assessment of the audit report indicated "an immediate need to increase revenues from a fare increase to permit a continuation of the business."

MWAA stated its intention to review the audit findings with TAC management and to work constructively with TAC to institute stronger accounting controls and to improve the business. Finally, MWAA supports TAC's application for increased rates. */

The Compact, Title II, Article XII, Section 6(a)(3), states:

In the exercise of its power to prescribe just and reasonable fares and regulations and practices relating thereto, the Commission shall give due consideration, among other factors, to the inherent advantages of transportation by such carriers; to the effect of rates upon the movement of traffic by the carrier or carriers for which the rates are prescribed; to the need, in the public interest, of adequate and efficient transportation service by such carriers at the lowest cost consistent with the furnishing of such service; and to the need of revenues sufficient to enable such service; under honest, economical, and efficient management, to provide such service.

We have considered these factors, and we are concerned about TAC and the public to whom it provides services. We note the indications of weak accounting and cost control. However, we also note the MWAA's report that there is no indication of either manipulation of results or loss of significant revenues due to employee theft. In other words, while there is no indication of dishonesty, management

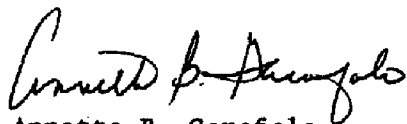
*/ The sole exception to MWAA's support is that the "fare between the West Falls Church Metro Station and Washington Dulles International Airport should remain at \$5 one-way and \$9 round-trip so as to continue to stimulate use of Metrorail/TAC for Dulles Airport ground transit." Such intrastate Virginia point-to-point fares are beyond this Commission's jurisdiction; they must be filed with and approved by the State Corporation Commission of the Commonwealth of Virginia. See Compact, Title II, Article XII, Section 1(b).

inefficiency coupled with business reverses led a previously profitable company into a retained earnings deficit of over \$50,000, a deficit that is projected to more than quadruple over the next year even if we grant the increased rates as proposed and as supported by MWAA and its independent auditor.

In these circumstances it appears that the effects of inefficiency are appropriately visited upon the company. There is no indication that the cost of service to the public is affected. Indeed, it seems clear that improved efficiency and economy by management represent the only avenue to restored profitability.

THEREFORE, IT IS ORDERED that WMATC Tariff No. 9 of the Airport Connection, Inc., as amended and filed on December 17, 1987, is hereby approved to become effective as soon as practicable within 30 days of the date of service of this order.

BY DIRECTION OF THE COMMISSION; COMMISSIONERS WORTHY, SCHIFTER, AND SHANNON:



Annette B. Garofalo
Acting Executive Director

